

July 6, 2011

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the July 6, 2011 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the July 6, 2011 meeting to order at 10:37 a.m. Committee members present were Liz Koppenhaver, Annette Cain-Darnes, Dale Amaral, George Dewey, and Elizabeth Rogers. The other Board members present were Darryl Walker and Keith Carson, and alternate Board member David Safer. Staff present were Vincent Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Rose Kwong, Benefits Manager; JP Singh, Chief Financial Officer; Betty Tse, Chief Investment Officer; Latrena Walker, Project and Information Services Manger; and Harsh Jadhav, Internal Audit Manager.

INTRODUCTION OF THE CHIEF EXECUTIVE OFFICER

The Trustees and Staff welcomed Vincent Brown, ACERA's new Chief Executive Officer. Mr. Brown began working in this position on July 5, 2011.

ACTION ITEMS

1. Adoption of Monthly Medical Allowance for 2012

Staff is recommending that there be no increase to the Monthly Medical Allowance (MMA) amount for 2012, thereby maintaining the current MMA maximum of \$522.16 for plan year 2012. This recommendation is based on the fact that for 2010, \$4.8 million was added to the Supplemental Retiree Benefit Reserve (SRBR) while \$39.3 million was paid for benefits. In 2008 and 2009 the additions to the SRBR were also less than the benefit amounts paid.

There was discussion regarding the amount the retirees under the various plans would have to pay for premiums assuming a 10% increase in premiums for early retiree plans and 8% increase for Medicare plans if there were no increase in the MMA. For an early retiree with 20 or more years of service who has Kaiser Permanente HMO coverage, the amount the retiree would pay is about \$90.00 in 2012 compared to \$34.00 currently. Under the Medicare Kaiser Senior Advantage plan, there would continue to be no out-of-pocket payment for the retiree in 2012. Approximately 1,758 early retirees would be affected if no increase in the MMA is approved.

It was decided that no action would be taken on this item at this meeting. This topic will be added to the agenda for further discussion at the August Retirees Committee meeting. In addition, Staff will provide medical premium increases for 2011.

INFORMATION ITEMS

1. Healthcare Reform Update – 2nd Quarter

At Staff's request, Keenan & Associates (Keenan), ACERA's new Benefits and Communications Consultant, provided a comprehensive report on healthcare reform related to the Patient Protection and Affordable Care Act. In addition, Keenan provided a summary of the Early Retiree Reinsurance Program (ERRP) including the following:

- ERRP was funded with \$5 billion and will terminate no later than January 1, 2014 or when the funds run out
- Reimbursements are provided to sponsors of participating employment-based plans and pays 80% of the claims incurred in a plan year by retirees who are age 55 and above who are not yet eligible for Medicare
- Early retiree includes enrolled spouse and dependents so that all their claims combined are subject to reimbursement if it totals between \$15,000 and \$90,000

Staff will continue to provide quarterly updates at the Retirees Committee meetings.

2. Report on Dental and Vision Plan Experience

Keenan & Associates (Keenan) provided a summary of ACERA's recent experience and utilization statistics for Delta Dental and VSP.

Dental Experience/Utilization

DeltaCare – For the most recent quarter, January 2011 to March 2011, the majority of the claims 54.6% were under Diagnostic treatment category compared to 52.9% in the calendar year 2010. The most recent quarterly income-expense experience report for the period February 2011 to April 2011 shows a gain loss ratio of 99.6% for claims alone. The incurred loss ratio after including an administrative fee of 9.3% is 108.9%. There was a negative draw of \$56,561 with an ending balance of \$505,560 in the Stabilization account. These funds are held by Delta Dental and are earning the current T-Bill rate. Staff will advise how it was decided to use the T-Bill for this account.

In comparing the February 1, 2010 to January 31, 2011 plan year to the February 1, 2009 to January 31, 2010 plan year, the average annual enrollment during this period increased 3.8% from 6,267 to 6,504; the average monthly claims during this period increased 3.7% from \$284,210 to \$294,641; and claims per enrollee per month decreased 0.1%. Keenan reported that the industry trend is 4% to 6 % for claims per enrollee. The incurred loss ratio after including an administrative fee of 9.29% is 94.05%. Keenan has requested that Delta Dental order and submit the Income-Expense report for the most recent 12-month

period to better gauge recent experience data and to compare year over year claims experience.

A report for the period February 2010 to January 2011 shows 798 members reaching the Non-Network \$1,000 maximum benefit level and 435 members reaching the In-Network maximum of \$1,200 in the Basic Plan. Staff will provide information on what types of procedures members are using that causes them to reach Non-Network and In-Network maximums.

For the first quarter of the plan year, Delta Dental so far has met its target performance metrics.

VSP Experience/Utilization

Per a Client Utilization Report, the recent rolling 12-month period from June 2010 through May 2011 shows a loss of 89% compared to the last three annual periods. For the last 12-month period from May 2010 to May 2011, the average number of covered subscribers has increased 3.7% from 6,535 to 6,774; however the number of claims decreased 3.4% from 3,315 to 3,203. Based on usual and customary fees, VSP shows 36.33% or \$226,163 in savings for exams, single vision, bifocals, trifocals and frames; and average cost per claim has declined year over year from 2008 to 2010. Comparing the last reporting period of May 2009 - April 2010 to this reporting period of June 2010 – May 2011, there was a slight increase in Diabetic eye exam reminders from 66 to 76; but a lower percentage of those who completed the Diabetic exam based on the reminder notices.

The total claim and co-pay allowed amounts for the 12-month period ending May 2011 was \$469,130 of which \$44,225 (9.4%) was paid by members. Net claims paid by the plan were \$424,905. Overall, the loss ratio of ACERA's vision plan has improved. Keenan will continue to monitor emerging claims and utilization data to uncover trends requiring additional attention.

The 9.3% administrative fee for Delta Dental compared to other carriers and the administrative fee for VSP will be discussed at the next meeting in which Keenan provides its report on 2012 renewals.

3. Report on ACERA's Wellness Program

Staff provided the following key summary points of activities regarding ACERA's Wellness and Disease Management Plan during the second quarter of 2011:

- Further analysis with UnitedHealthcare regarding high cost drugs, which were captured on the "Top 50 Drugs by Prescription Count" report.
- Staff attended the Prevention & Wellness Congress 2.0 conference and reviewed key take aways and ideas outlined in the presentation document.

There was discussion regarding how the Wellness and Disease Management program is integrated with the County of Alameda (COA) for its active employees. Wellness topics are discussed at the quarterly Administrative Agreement meetings with COA. Discussions will take place with the Risk Management Department in an effort to partner with them regarding wellness programs. In addition, the Newsletter is sent to all active employees as well as retirees.

Staff provided measurements for 2008, 2009, and 2010 for ACERA sponsored plan coverage including costs for ambulance service, home health services, emergency room services and generic/brand pharmacy costs on a per member per month basis. Updated measurements for Kaiser were not available at this time. Staff also provided updated VSP measurements for retirees and their dependents who have coverage.

Concerns were expressed regarding health care providers pushing new preventative procedures, especially dental procedures that may not be beneficial to the consumer. A determination needs to be made whether the procedure will in fact benefit the patient and is worth the cost.

4. Miscellaneous Updates

Staff reported on the status of Secure Horizons' branding change to United Healthcare Group Medicare Advantage. In addition, Staff reported that effective May, 2011 PacifiCare began changing its name to UHC of California and will be doing business as UnitedHealthcare of California. CalPERS Long Term Care Program raised its premiums by 5% effective July 1, 2011. ACERA retirees who are impacted, a total of 196, are those with Lifetime Coverage and Built-In Inflation Protection.

5. Public Records Act Request

Staff reported that a Bay Area news group has requested information on ACERA's retirees. ACERA has agreed to provide the following information, which is accessible via its retirement database system. ACERA's web site will be updated to include a statement that this information has been released, and a notice will be included in the retirees' payroll notices for July.

- Name
- Final average salary
- Service credit
- Initial retirement allowance
- Current gross amount
- For beneficiary – name, initial allowance and current allowance

TRUSTEE/PUBLIC INPUT

None.

FUTURE DISCUSSION ITEMS

- Adoption of Dental, Vision Plan Contributions for 2012

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for August 3, 2011 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:15 p.m.